



1 May 2009

**Brisbane Airport Corporation (BAC)
Submission to the Henry Review
November 2008**

Background

Brisbane Airport Corporation (BAC) welcomes the opportunity to make a submission to the Federal Government's review into Australia's Future Tax System.

BAC is the owner and operator of Brisbane Airport. BAC acquired Brisbane Airport from the Federal Government in 1997, under a 99-year lease for \$1.4 billion.

BAC is an unlisted Australian-owned company, whose shareholders are largely Australians who have invested their superannuation through a number of funds specialising in long-term infrastructure.

BAC shareholders also include the Queensland Investment Corporation, the Brisbane City Council and Amsterdam Airport Schiphol.

BAC is currently investing \$2.5 billion in infrastructure to ensure the State is able to meet the future needs of one of the world's fastest growing regions.

This investment, including a new road entrance to the Airport, a new runway and upgrades to the Domestic and International Terminals – is fully funded by BAC, without any taxpayer dollars.

About Brisbane Airport

Brisbane Airport is situated on 2700 hectares, which is the largest airport area in Australia and three times the size of Sydney Airport.

The Airport is the domestic and international gateway for Queensland, servicing around 18 million passengers in 2007.

Since privatisation in 1997, international passenger numbers have grown by 62%, while domestic numbers have increased by 78%, making Brisbane, on average, the fastest growing airport in Australia over this time.

Annual passenger numbers are expected to reach more than 25.6 million by 2015 and around 50 million by 2035.

Brisbane Airport is Australia's second busiest airport for arriving international passengers after Sydney.

Brisbane Airport is a major generator of jobs, investment and economic growth for Queensland and Australia.

BAC does not support further restrictions on Duty Free tobacco sales

BAC would like to specifically address the issues and proposed policy options raised by the National Preventative Health Taskforce Paper, "Australian: The Healthiest Country By 2020". These issues have implications for Australia's taxation system, in particular the future of duty free sales.

While supporting the majority of initiatives outlined in the discussion paper, BAC is concerned about the likely consequences of proposed changes to tobacco sales at duty free outlets, including at Australian airports.

BAC contends the measures will not address the stated objectives of the Taskforce. Instead, BAC believes such a draconian policy approach would instead lead to a significant loss of jobs and critical tourism and airport investment, with the only "health" outcome being a shift of tobacco sales and revenue from Australia to other countries where no equivalent restrictions will apply.

BAC believes the measures would negatively impact on competition, revenue, employment and investment at Australia's major international aviation gateways, at a time when such negative impacts would severely hurt an industry

It is our submission that restrictions to Duty Free tobacco sales will have the following implications:

Competition

- Lost revenue and sales to other overseas destinations which compete with the Brisbane International Terminal retail offer.

Revenue

- Tobacco and the associated sales in duty free stores represent many hundreds of millions of dollars of revenue and associated taxes in Australia.
- 45% of tourist shopping is conducted Duty Free.

Employment

- This scale of lost sales would put many jobs directly at risk at Brisbane Airport and other airports.

Investment

- Duty Free operators have recently invested \$8.5 million in new stores at Brisbane Airport. The future of this level of investment would need to be reviewed in light of such draconian restrictions to tobacco sales.

Duty Free Shopping is a vital part of the tourism equation

Duty free shopping is an integral part of the international travel and tourist experience.

Shopping is rated the number two activity (after eating) for tourists visiting Australia. Approximately 45% of tourist shopping is duty free shopping.

Tobacco products are an important part of this experience. Around 21% of duty free transactions contain tobacco products.

Australian and overseas customers enjoy one of the best and most competitive tax and duty free shopping experiences available in the world.

Maintaining such an internationally competitive duty free retail offer is critical to Australia's and Brisbane's attractiveness as a tourist destination.

While BAC supports the objective of "Protecting Children from Tobacco" and the overwhelming majority of measures proposed by Taskforce to do this, Duty Free retail stores operate in a unique environment and a few of the proposed measures would have an unintended negative impact on this business and revenue to the state.

Duty Free Shopping should not be treated like normal retail shopping

It is important to understand that the airport duty free environment is unlike other retail environments.

It is already a highly regulated retail environment, operating under strict Customs regulations with clear allowances for individuals.

Duty-free tobacco sales and duty-free retailers are significantly more regulated and controlled than tobacco sales and retailers in general retail environments – arguably duty-free leads the way in controlling access to tobacco products.

It is a retail environment where obtaining accurate age identification is straightforward as all customers carry their passport.

It is an infrequently shopped retail environment by individuals. Only people travelling internationally can access the duty free retail environment. On average, travellers travel internationally only once every two to three years.

It is a retail environment with few under 18s. According to Department of Immigration, Multi Cultural and Indigenous Affairs ("DIMIA") data in 2007, only 10.4% of passengers passing through Sydney International Airport were under the age of 18,

with similar percentages reflected at other airports, including Brisbane. The majority of these passengers were accompanied by adults.

It is also important to note that the airport duty free retail environment already treats tobacco differently to other categories:

- There is no product promotion.
- Communication is limited to price information.
- Tobacco display is limited to one area within the store.

Driving revenue off-shore

Restricting tobacco retailing in Brisbane or other Airports and increasing difficulty will not reduce consumption but will instead transfer those purchases overseas.

Customer feedback indicates that tobacco consumers who are no longer able to purchase at an Australian port will purchase at their international destination instead.

This would come at a cost to Australian retailers and the Australian government, while having no impact on the stated objectives of the Strategy.

With customers choosing to buy their duty free products where they perceive the shopping experience to be the most convenient, a less convenient Australian shopping experience will therefore reduce sales in non-tobacco sectors.

Conclusion

BAC believes that reputable retailers should be able to sell legally available tobacco products to customers above the legal age in an effective manner.

Restrictions to Duty Free sales of tobacco products will drive sales, revenue, jobs and investment off-shore.

In the event that the Federal Government decides to proceed with the problematic options that BAC has identified, we would ask that airport duty free is granted an exemption to account for the very different retail environment and the detrimental impact that it would have on Australian airports' ability to compete with overseas airports.

BAC supports the Federal Government's objective of protecting children from tobacco, in the context of tobacco being a legal product for purchase and consumption by those over 18 and the need for controlled retail sales environments.

BAC recognises and supports the need for tobacco sales to be tightly regulated and BAC has a long history of managing this type of retail in our terminals effectively and responsibly in a tightly regulated retail environment.

On this basis, BAC supports most of the options raised by the discussion to achieve the objective of protecting children from tobacco while still allowing reputable retailers to sell legal tobacco products.

However, BAC asks that separate and distinct consideration is given to the Duty Free sales environment as contained in this submission.

A handwritten signature in black ink, appearing to read 'Gert-Jan de Graaff', with a long horizontal stroke underneath.

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